



California Public Employees' Retirement System  
Executive Office  
P.O. Box 942701  
Sacramento, CA 94229-2701  
TTY: (916) 795-3240  
(916) 795-3825 phone • (916) 795-3410 fax  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

## Agenda Item 17

March 16, 2011

### TO: MEMBERS OF THE BOARD OF ADMINISTRATION

- I. **SUBJECT:** Diversity Update
- II. **PROGRAM:** Diversity Outreach Program, Investment Office, and Legal Office
- III. **RECOMMENDATION:** Information
- IV. **ANALYSIS:**

The purpose of this agenda item is to provide an overview and current status of the Diversity Outreach Program (CDOP) and the Investment (INVO) and Legal Office's diversity and inclusion efforts.

As a global investor, public employer, and provider of retirement and health benefits services within the nation's most ethnically and culturally diverse state, CalPERS recognizes diversity as a competitive advantage that calls for the broadest possible pool of talent, experience, and perspective. The CalPERS Board of Administration acknowledged this by including diversity as an element in our Strategic Plan.

#### **Diversity Outreach Program – Internal Operations**

In November, CDOP conducted an online 2010 Enterprise Diversity and Inclusion Pulse Survey. The survey gave staff an opportunity to share their perceptions of diversity within the workplace.

The purpose of the 2010 Enterprise Diversity and Inclusion Pulse Survey was to achieve an initiative set forth in the 2010-11 CalPERS Business Plan, Enterprise Priority 3.2:

- Increase overall employee diversity awareness by 5 percent over the 2008 diversity assessment survey baseline (December 2010)
- Increase leadership commitment scores by 5 percent over the 2008 diversity assessment survey baseline (December 2010)

The Survey results revealed the 5 percent increase in employee diversity awareness and 5 percent increase in leadership commitment scores was not achieved.

The survey results did provide us with data to develop more focused strategies going forward. Work already underway includes:

- 2011-12 Diversity and Inclusion Business Plan
- Integration of diversity and inclusion language into leadership training modules
- Disability Awareness Training for Leaders (required for all levels of management)
- Addition of a diversity and inclusion performance factor for all manager and supervisor annual reviews

The Diversity Executive Steering Committee convened to discuss the survey results and developed the following action steps:

- Develop CEA Objectives for FY 2011-12
- Conduct a focus group to analyze survey results and employee comments. This group will be charged to develop specific recommendations and solutions.
- Review the 2011-12 Business Plan to ensure initiatives address survey results
- Conduct a Diversity and Inclusion Leadership Forum

The survey results have been shared with all staff and the documents are available for viewing on CDOP's intranet site (Attachment A). Diversity and Inclusion remains a priority for the CalPERS management team and specific objectives are included in the CalPERS 2011-12 Business Plan.

Last month, in partnership with the Human Resources Division, CDOP launched the Disability Awareness Training for Leaders. The training met objective 3.2 as outlined in the CalPERS 2010-11 Business Plan.

In addition, CDOP recently conducted an enterprise-wide Employee Disability Survey in partnership with the State Personnel Board (SPB). As a result of this survey ending February 25, 2011, SPB data shows that we have doubled our parity rate from last year's number of 12.27 percent to 29.42 percent well above the State's requirement of 16.6 percent.

## **Investment Office**

### ***Portfolio Management – Programs & Research***

The Investment Leadership Team developed Roadmap priorities for the 2011-12 fiscal year that moves us towards a more thoughtful, longer term planning effort to strengthen capacity and performance. Alongside the Roadmap, Real Estate and AIM Program teams presented their Strategic Plan to the Investment Committee last month.

CalPERS and CalSTRS have developed a memorandum of understanding to co-lead the Diverse Director DataSource Initiative (3D), and invited an eminent Advisory Panel to oversee the development of the initiative. Member Henry Jones represents the CalPERS Board. 3D is led by the Corporate Governance team and draws upon the support of cross asset class staff, the CDOP Chief, and the Investment Officer, Diversity Programs.

During the December 2010 update, the Board requested a comparison of CalPERS diversity and emerging manager programs with other pension funds, particularly those that have somewhat similar constraints. Attachment B provides an overview of our preliminary research work to identify comparators.

### ***External Outreach – Networking & Pipeline Development***

INVO staff met with representatives from the National Association of Securities Professionals (NASP) in March 2011. NASP is a professional organization whose mission is to serve as a resource for both the minority community at large and professionals within the securities and investments industry. NASP's objectives for this meeting was to introduce the organization's staff and board members, share current initiatives and objectives, and to learn more about CalPERS diversity initiatives and emerging manager programs.

INVO staff served as a sounding board for development of underlying initiatives that are part of the new Toigo Institute for Leadership Excellence, Advancement and Diversity (I-LEAD). Formation of I-LEAD allows the Foundation to focus services to its post-graduate population and the financial industry overall. A recently soft-launched program aims to provide key resources for entrepreneurial efforts by alumni, including strategic planning, business development training and coaching.

### ***Future Plans***

The Investment Officer, Diversity Programs is collaborating with asset class teams with responsibilities for emerging manager programs and is working to prioritize initiatives and resource requirements to support the INVO Roadmap objectives as part of the ongoing integration process that follows the INVO diversity and inclusion strategic planning framework.

INVO is working with the Office of Public Affairs on web-based events for guidance on how to navigate the CalPERS external website for information about diversity initiatives and emerging manager investment programs. This outreach effort is designed based on feedback from a participant survey we conducted post our February 2010 workshop and addresses frequently asked questions by website visitors.

### **Legal Office**

The Legal Office's Diversity Project seeks to increase diversity within the pool of outside counsel with which CalPERS contracts for legal services so that the pool reflects California's diverse population, provides a broad spectrum of experience, talent, viewpoints and strategies, and elevates the professional expertise available to the CalPERS system through contracting opportunities.

The CalPERS 2010-11 Business Plan includes a specific initiative designed to improve outside counsel diversity. The initiative provides that by June 30, 2011, the Legal Office will expand external legal counsel contracts by creating pools in at least four specialty areas through the addition of firms reflective of California's diverse population.

To achieve the initiative set forth in the 2010-11 Business Plan, the Legal Office will create pools of outside counsel firms in the specialty areas of:

- Health Care Law
- Labor/Employment
- Business Litigation
- Family Law/Community Property

Interviews for Health Care counsel were conducted in early March, and staff anticipates adding one diverse law firm to this pool of five law firms. The solicitation for Labor/Employment counsel, which was released in November 2010, resulted in a robust pool of candidates, including several diverse firms. Interviews for this pool are expected to be conducted in April.

Our solicitation for Family Law/Community Property counsel is expected to be released later this month, and the Business Litigation counsel solicitation is expected to be released in April.

In addition, the Legal Office is pleased to report that it recently added a diverse firm to the pool of outside bankruptcy law counsel.

## **V. STRATEGIC PLAN:**

This agenda item is in alignment with the following Strategic Goals:

- II. Foster a work environment that values quality, respect, diversity, integrity, openness, communication, and accountability;
- III. Sustain a high performance work culture utilizing staff development, technology, and innovative leadership and management strategies;
- IV. Design and develop education and communication initiatives to ensure broad member and stakeholder understanding of CalPERS' value; and
- IX. Achieve long term, sustainable, risk-adjusted returns.

**VI. RESULTS/COSTS:**

This agenda item will result in regular program cost only.

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LINDY E. PLAZA  
Diversity/EEO Officer of Internal Operations

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GINA M. RATTO  
Deputy General Counsel

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TIM LEGESSE  
Investment Officer, Diversity

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STEPHEN W. KESSLER  
Deputy Executive Officer, Operations